

Message Text

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15

ACTION TRSE-00

INFO OCT-01 EA-11 ADP-00 NEA-10 IO-12 CEA-02 L-03 H-02

PA-03 PRS-01 USIA-12 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-09 NSAE-00 RSC-01 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 NSC-10 SS-14 STR-08 RSR-01 AGR-20

INRE-00 /182 W

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P 200749 Z MAR 73

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 3904

INFO AMEMBASSY KUALA LUMPUR

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USADB

FOR NAC AGENCIES

E. O. 11652: ADS, DECLAS 5/30/73

TAGS: EAID, EFIN, MY

SUBJECT: PROPOSED ADB LOAN TO MALAYSIA FOR EAST- WEST HIGHWAY
BRIDGES

SUMMARY: ADB MANAGEMENT PROPOSES \$9.3 MILLION EQUIVALENT
LOAN FROM ORDINARY FUNDS TO MALAYSIA TO FINANCE FOREX
COSTS OF CONSTRUCTION AND CONSTRUCTION SUPERVISION OF
FIVE MAJOR BRIDGES ALONG EAST- WEST HIGHWAY. USADB RE-
COMMENDS FAVORABLE NAC ACTION.

1. ADB DOC R26-73 DTD 8 MAR 73 WITH ATTACHMENTS DES-
CRIBING PROPOSED LOAN POUCHED ADDRESSEES 10 MAR 73.
BOARD CONSIDERATION LIKELY 29 MARCH.

2. ADB MANAGEMENT PROPOSING \$9.3 MILLION EQUIVALENT
LOAN FROM ORDINARY RESOURCES TO MALAYSIA. PROCEEDS
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WILL FINANCE FOREX COST OF CONSTRUCTION AND CONSTRUCTION SUPERVISION OF FIVE MAJOR BRIDGES (AT RUI RIVER, PERAK RESERVOIR, PERAK CAUSEWAY, AND UPPER AND LOWER PERGAU RIVER), FOR 71 MILE PORTION OF THE TWO- LANE ASPHALT- SURFACED EAST- WEST HIGHWAY BETWEEN GRIK AND JELI COSTING \$67.9 MILLION INCLUDING \$27.9 MILLION FOREIGN EXCHANGE. ROAD ITSELF BEING BUILT BY TWO PUBLIC WORKS DEPT (PWD) UNITS ARE BUILDING THE ROAD ITSELF FOR WHICH THE FOREIGN EXCHANGE IS ALREADY COMMITTED; ADB LOAN LIMITED TO BRIDGES ONLY. PROPOSED TERMS ARE 25 YEAR AMORTIZATION INCLUDING 5 YEAR GRACE PERIOD, 7 1 X2 PERCENT INTEREST. GOVT OF MALAYSIA (GOM) TO BE BORROWER AND PWD THE EXECUTING AGENCY.

3. EAST- WEST HIGHWAY WILL CONNECT PENANG/ BUTTERWORTH/ TAIPING/ KUALA KANGSAR/ IPOH AREA IN NORTHWEST, A RELATIVELY DENSELY POPULATED AREA WHICH HAS INDUSTRIES AND THE PORT OF PENANG, WITH LITTLE DEVELOPED NORTHEAST AREA AROUND KOTA BAHRU. ROADS ALREADY EXIST TO GRIK, WHICH THE 71 MILE EAST- WEST HIGHWAY LINK WILL CONNECT WITH JELI, LINKED TO KOTA BAHRU BY EXISTING ROADS. THE LINK WILL CROSS THE RUGGED MOUNTAINOUS TERRAIN, CROSSING SEVERAL RIVERS AND THE 50- MILE LONG, 320 FT DEEP RESERVOIR OVER PERAK RIVER FOR TEMENGGOR HYDROELECTRIC PROJECT. TWO BRIDGES OVER RESERVOIR 2891 AND 2120 FT LONG. ROAD EXPECTED TO SAVE PASSENGER AND FREIGHT TRANSPORT COSTS, OPEN UP NEW TIMBER AREAS, INCREASE PASSENGER TRAFFIC, AND PROVIDE A LARGER MARKET FOR THE NORTHEAST'S OUTPUT OF FRUITS, VEGETABLES, CHILLIES, PEANUTS, AND CATTLE. THE ROAD WILL HELP DEVELOP THE LESS DEVELOPED NORTHEAST, OPEN UP THE INLAND AREA TO MINERAL EXTRACTION, AND INCREASE INTERREGIONAL TRADE. INTERNAL RATE OF RETURN FOR ROAD (INCLUDING BRIDGES) ESTIMATED AT 14.7 PERCENT.

5. ROAD CONSTRUCTION BEGUN FROM BOTH ENDS IN 1970 BY PWD, COMPLETION EXPECTED 1977. PROPOSED LOAN DEALS WITH ENTIRE ROAD PROJECT, EVEN THOUGH FINANCING IS ONLY FOR BRIDGES. THUS, UNDER LOAN: BANK MUST APPROVE PLANS, DESIGN STANDARDS, SPECIFICATIONS, WORK SCHEDULES, AND CONSTRUCTION METHODS FOR ENTIRE PROJECT; GOM MUST CARRY OUT ENTIRE PROJECT IN ACCORDANCE WITH SOUND ADMINISTRATIVE, FINANCIAL, ENGINEERING AND HIGHWAY PRACTICES; AND GOM HAS AGREED ESTABLISH SEPARATE PROJECT MANAGEMENT OFFICE IN PWD, HAS ALREADY ASSIGNED TWO LIMITED OFFICIAL USE

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ENGINEERS AND SUPPORTING STAFF TO STRENGTHEN EACH OF THE TWO

CONSTRUCTION UNITS, IS RECRUITING CONSTRUCTION SPECIALIST FOR EQUIPMENT DEPLOYMENT AND COST CONTROL, AND HAS PROMISED TO FORMULATE FEDERAL FOREST RESOURCES DEVELOPMENT PROGRAM FOR AREA TO BE OPENED BY HIGHWAY.

6. COSTS OF PROJECT AND EACH BRIDGE DETAILED APPENDIX 2. FOREX COSTS OF CONSULTANT ESTIMATED \$700,000 AND BRIDGE CONSTRUCTION \$7.7 MILLION. LATTER ASSUMED TO BE 61 PERCENT OF ESTIMATED TOTAL BRIDGE CONSTRUCTION COST, TO BE ADJUSTED DOWNWARD APPROPRIATELY TO EXTENT THERE IS LOCAL CONTRACTOR OR SUB- CONTRACTOR. BRIDGES APPROPRIATELY GROUPED FOR BIDDING PURPOSES, TO FOSTER COMPETITION AND HASTEN COMPLETION. CONTRACTOR SELECTION WILL BE ACCORDING TO ADB GUIDELINES FOR PROCUREMENT WITH CONTRACTOR TO PROVIDE NEEDED EQUIPMENT AND MATERIALS UNDER UNIT PRICE CONTRACT. CONTRACTORS ALREADY PREQUALIFIED 20 JANUARY BY PRIOR AGREEMENT OF BANK (AND APPROVAL OF THE PREQUALIFICATION PROCEDURE -- SEE BANK DOC IN 49-72 DTD 7 DEC 72 PUCHED 11 DEC) BECAUSE BRIDGE CONSTRUCTION CONTRACT FOR TWO MAJOR BRIDGES OVER THE TEMENGGOR RESERVOIR MUST BE AWARDED BY SEPT 1973 IF THEIR SUBSTRUCTURE AND PIERS ARE TO BE COMPLETED BEFORE RESERVOIR FLOODED, TO AVOID PROHIBITIVE COSTS OF UNDERWATER CONSTRUCTION.

7. GOM PROPOSES, AND MANAGEMENT AGREES, TO RETAIN ENEX (A NEW ZEALAND CONSORTIUM) TO SUPERVISE BRIDGE CONSTRUCTION, IN ACCORD WITH PAR 4.2 OF BANK' S GUIDELINES ON USES OF CONSULTANTS. ENEX DID DETAILED DESIGN, SPECS, AND TENDER DOCUMENTS FOR BRIDGES UNDER NZ BILATERAL AID. MANGEMENT AGREES DESIRABLE RETAIN THEIR IN- DEPTH KNOWLEDGE OF DESIGN OF THE LONG BRIDGES WITH COMPLICATED INTERNAL STRESSES.

8. USADB BELIEVES PORPOSED PROJECT ECONOMICALLY SOUND AND WILL FURTHER GOM' S HIGH PRIORITY OBJECTIVE OF DEVELOPING RURAL MALAY POPULATION AND BRINGING IT INTO MODER SECTOR. USADB SUPPORTS PROPOSAL AND RECOMMENDS FAVORABLE NAC ACTION.

9. REQUEST KUALA LUMPUR COMMENTS FOR NAC AGENCIES, INFO USADB MANILA, PURSUANT TO STATE 11979 5 DTD 3 JUL 197 2. BYROADE

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